

Decision 05-07-029 July 21, 2005

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of Hillview Water Company (U 194-W) for authority to increase rates: In 2004 \$251, 233, or 28.32% above the revenues generated by present rates.

Application 04-07-042
(Filed July 19, 2004)

OPINION APPROVING SETTLEMENT

1. Summary

The Commission approves a Settlement Agreement (Settlement) entered into by Hillview Water Company (Hillview) and the Audit and Compliance Branch of the Commission's Water Division (Audit Branch). The Settlement resolves Hillview's request for a general rate increase and defers final resolution of three account reconciliation issues to Hillview's pending application to refinance outstanding short- and long-term debt. Today's decision will result in increases of \$9.97 in the average monthly bill for metered customers (those using 18 ccf), for a total average monthly bill of \$57.35. Customers under two fire protection tariffs will also see increases. The bill impacts are taken from the calculations in Appendix C, prepared by the Advisory Branch of the Commission's Water Division.

In addition, we direct Hillview to provide us with an annual update of the status of its fee repayments to 15 customers. Hillview may do this as an addendum to its Annual Report.

2. Background

Decision (D.) 03-09-072, which issued following a Commission investigation into Hillview's operations (I.97-07-018), imposed a number of requirements upon the utility. Among other things, D.03-09-072 fined Hillview \$1,000 and required it to file, within nine months of the effective date of the decision, a general rate case (GRC) application that addressed, at a minimum, (1) a reconciliation of enumerated utility accounts, and (2) a report on the refund of fees for new supply facilities that were collected from individuals, rather than developers.

Hillview is a Class C water utility that serves slightly less than 1,400 customers in the foothills of eastern Madera County, southwest of Yosemite National Park.¹ Hillview has four separate operating systems: Oakhurst-Sierra Lakes, Hillview-Goldside, Raymond, and Coarsegold Highlands. The water supply for all of them comes from hard rock wells; much of it has high mineral and metal concentrations. Because of water supply and water quality issues in Oakhurst-Sierra Lakes, a moratorium on new service is in effect there.

Hillview's last general rate case increase occurred in 1994 though customers have experienced increased bills, for other reasons, since that time.

3. Procedural History

Hillview filed this GRC application on July 19, 2004. By Resolution ALJ 176-3137 (August 19, 2004), the Commission preliminarily designated this application as a ratesetting proceeding and determined that hearings likely would be necessary. Following a prehearing conference on October 1, 2004,

¹ A Class C water utility is one with more than 500 service connections but fewer than 2,000.

before the assigned Administrative Law Judge (ALJ), Assigned Commissioner Susan P. Kennedy issued a scoping ruling, as required by Pub. Util. Code §1701.1(b).² Consistent with the direction in the scoping ruling, Hillview prepared an amendment to its application and filed it on November 3, 2004.

Hearing was set for March 21, 2005, but at the request of the parties, was reset for April 20. At hearing, the parties advised the ALJ that they had settled all differences between them and thereafter, on May 23, they filed a motion for adoption of their Settlement, which they attached to the motion. On May 31, in response to questions raised by the ALJ, they filed a supplement to the motion and Settlement. On June 1, Hillview provided, by email, the parties' mutual correction of a continuing clerical error in Section 7.2 of the Settlement. Thereafter, on June 1, this proceeding was submitted for decision.

4. Public Comment on the Application

The Commission has received letters, email communications and telephone calls complaining about the proposed rate increase request from about a dozen customers. All of the complaints register service and supply problems ranging from poor taste or color and low pressure to the frequency of emergency "boil" advisories and other usage restrictions, particularly during the summertime. Customers protest that they are receiving very little in return for their rate payments. The majority of the complaints come from customers in the Oakhurst-Sierra Lakes area, which is subject to the moratorium.

² Unless otherwise indicated, all subsequent citations to sections refer to the Public Utilities Code and all subsequent citations to rules refer to the Rules of Practice and Procedure, which are codified at Chapter 1, Division 1 of Title 20 of the California Code of Regulations.

The Settlement between Audit Branch and Hillview acknowledges that much of the utility's plant "is old and is in need of replacement or major maintenance to avoid unplanned service interruption." (Settlement, Section 6.2.) In his prepared rebuttal testimony, Roger L. Forrester, Hillview's president and its principal shareholder, states that most supply and service improvements are awaiting a new loan from the Safe Drinking Water State Revolving Fund (SDWRF).³ Changes in the proposed improvements and preparation of an Environmental Impact Report have delayed the process, but the loan has been approved and now merely awaits funding. Christian Aldinger, Hillview's consultant and a certified public accountant, states in his prepared rebuttal testimony that the recent investigations by this Commission and other state and federal agencies into Hillview's operations has taken a substantial toll on the utility's other available resources.

5. Settlement Criteria

The Settlement is an uncontested "all-party" settlement with respect to the issues resolved. In such cases, the Commission applies two complementary standards to evaluate the proposed agreement. The first standard, set forth in Rule 51.1(e) and applicable to both contested and uncontested agreements, requires that the "settlement is reasonable in light of the whole record, consistent with law, and in the public interest." The second standard, articulated in *San Diego Gas & Electric*, 46 CPUC 2d 538 (1992), applies to all-party settlements.

³ The Commission authorized Hillview, in D.02-11-015, to enter into a loan agreement with the Department of Water Resources to borrow \$3,408,447 under the Safe Drinking Water Bond Act. The loan is to be used to for construction of new wells, a new raw water transmission line, a new treated water transmission line, a new storage tank, and other facilities.

As a precondition to approving such a settlement, the Commission must be satisfied that:

- a. The proposed all-party settlement commands the unanimous sponsorship of all active parties to the proceeding.
- b. The sponsoring parties are fairly representative of the affected interests.
- c. No settlement term contravenes statutory provisions or prior Commission decisions.
- d. Settlement documentation provides the Commission with sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

Hillview and Audit Branch are the only parties to this proceeding and both are signatories to the Settlement. Each party actively participated in all aspects of the proceeding, conducting discovery and developing comprehensive prepared testimony. Settlement discussions did not commence until both parties' positions were public. Hillview was represented by knowledgeable representatives (the utility's president and the certified public accountant whom the utility retains). Audit Branch, which has a mandate to represent ratepayer interests, assigned knowledgeable staff and counsel. We conclude that the affected utility and ratepayers interests were fairly represented. Thus, the Settlement meets the first and second criteria of the all-party settlement guidelines. We examine the third and fourth criteria and the Rule 51.1(e) standard below, in connection with our review of the Settlement, itself.

6. Settlement Overview

The Settlement recognizes a single test year, 2005, since Class C water utilities typically apply for single test year rate changes. Attached to today's decision as Appendix A is the Summary of Earnings for 2005 drawn from

Appendix A to the Settlement. Appendix B consists of the revised tariffs, prepared by the Advisory Branch of the Water Division. Appendix C consists of calculations of the impact of the Settlement on the typical customer bill.

Appendix D consists of adopted quantities and calculations.

We review the primary components of the Settlement below.

6.1 Revenues

Consistent with Commission policy established in D.92-03-093 for Class C and D water utilities, the Settlement calculates new rates using both return on ratebase and operating ratio ratemaking methods and recommends the method that produces the higher result. In this case the operating ratio method yields the higher result, a rate of margin of 24%.⁴

Table 2 compares the parties' initial positions on revenue requirement increases for 2005 with the settlement position.

Table 2
Revenue Requirement Increases for 2005
(\$ thousands)

Utility requested increase above current rates		Audit Branch recommended increase above current rates		Settlement/ Adopted increase above current rates	
\$	%	\$	%	\$	%
\$ 239.5	26.83%	\$24.5	2.75%	\$170.7	19%

⁴ Annually, the Water Division issues a memorandum to update its recommended rates of return and rates of margin for Class C and Class D water utilities. For 2005, the recommended rate of return is a range from 11.90% to 12.90% and the recommended rate of margin is 24%.

6.2 D.03-09-072 Issues

Section 7 of the Settlement acknowledges Audit Branch's review of three compliance requirements imposed on Hillview by D.03-09-072: reconciliation of enumerated accounts, refund of specified fees to ratepayers, and payment of a penalty. Hillview paid the \$1,000 penalty to the Commission on September 30, 2003, consistent with D.03-09-072. We take up the other two issues below.

6.2.1 Report on the Refund of Fees for New Supply Facilities

D.03-09-072 determined that Hillview had collected an unauthorized "Supply and Storage Fee" from some customers over a period of a decade or more and directed Hillview to calculate and refund those monies via the refund mechanism described in the decision. Hillview and Audit Branch agree upon the accounting of the refunds due, and Hillview has begun to make repayments as required (2.5% annually) to each of 15 customers who paid between \$696 and \$2,000 in fees. (Full reimbursement to a 16th customer was made in 2000.) The supplement includes a spread sheet that shows the status of the refunds. As of year-end 2004, \$14,011.72 remains to be refunded. To enable the Commission to monitor this repayment obligation in future, Hillview should include an updated spread sheet as an addendum to its Annual Report.

6.2.2 Reconciliation of Accounts

D.03-09-072 ordered a full accounting of:

- Safe Drinking Water Bond Act (SDBWA) and National Bank of Cooperatives (CoBank) loan surcharges
- Loan transactions with third party lenders and shareholders
- Contributions-in-aid-of construction (CIAC)
- Utility plant in service and construction work in progress

Section 7.1(a) of the Settlement, as clarified in the supplement, memorializes the parties' agreement, following an audit, that \$69,445 is the excess surcharge Hillview has collected to repay the obligation attributable to its prior SDWBA loan (circa 1980 and 1987). The parties differ as to whether the excess should be refunded to ratepayers or offset against existing debt. They agree, however, that the better forum for deciding how to treat the excess SDWBA surcharge is A.05-01-033, Hillview's pending application to borrow \$1.8 million in long-term debt in order to refinance existing debt. Thus, the parties reasonably ask the Commission to defer resolution of this issue to A.05-01-033.

Section 7.1(b) of the Settlement, as clarified in the supplement, quantifies the excess surcharge collected to repay Hillview's outstanding loan from CoBank (circa 1994). The sum, ascertained after audit, is \$292,666. Again, the difference remaining between the parties is whether the excess should be refunded to ratepayers or offset against existing debt. The parties reasonably recommend that the determination should be made in connection with the refinancing application, A.05-01-033.

Section 7.2(a) of the Settlement concerns reconciliation of loans with shareholders and other third-party lenders. The June 1 email corrects clerical errors in the Settlement and the supplement to clarify that the parties also recommend deferral of this issue to A.05-01-033. The June 1 email states that their agreement should read, in relevant part:

Since HWC, in January 2005, has filed an application with the Commission to refinance its short and long term debt (See A.05-01-033), staff recommends that this matter be included in that proceeding. HWC agrees that this matter should be addressed in A.05-01-033.

We agree that resolving that final quantification of the status of these loans reasonably should be resolved as part of the refinancing application, A.05-01-033.

Sections 7.2(b) and (c) of the Settlement memorialize resolution of the status of the 2004 Toyota Tundra Truck and the Ditch Witch FX30 and Trailer. Following audit and execution of documents to affirmatively transfer ownership of the truck to Hillview, the parties now agree that the truck, ditch witch, and trailer should be listed as utility assets.

Section 7.3 of the Settlement memorializes the parties' agreement to adjust the contribution-in-aid-of construction and advances in aid of construction to remove the supply and storage fee refund to customers, discussed above. The parties' agreement is reasonable.

7. Assignment of Proceeding

Susan P. Kennedy is the Assigned Commissioner in this proceeding and Jean Vieth is the assigned ALJ in this proceeding.

8. Change in Preliminary Determinations Under Rule 6.5; Comments on Draft Decision

Though an evidentiary hearing was set, because the parties advised the ALJ they had settled this matter, no witnesses were sworn and no examination occurred. Therefore, under Rule 6.5 we change the preliminary determination that hearings are necessary and find that no hearings are necessary.

Accordingly, § 311(g)(3), which does not require a comment period for uncontested matters that pertain solely to water corporations, applies to the draft decision. However, at the request of the ALJ, the draft decision was served on the parties in order to permit comment and ensure the accuracy of the draft. No comments were filed, though the parties advised the ALJ of a minor error, which we have corrected.

Findings of Fact

1. The Settlement negotiated by Hillview and Audit Branch resolves all issues between them in this proceeding with the exception of the three account reconciliation issues enumerated in the body of this decision and Ordering Paragraph 3.

2. Hillview and Audit Branch are fairly reflective of the affected interests in this proceeding.

3. No term of the proposed Settlement contravenes statutory provisions or prior Commission decisions.

4. The Settlement, together with the supplement and the June 1, 2005 email conveys sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

5. The proposed Settlement is unopposed.

6. The summaries of earnings presented in Appendix A, and the quantities and calculations presented in Appendix D, all based on the Settlement, are reasonable, justified, and sufficient for ratemaking purposes.

7. As an addendum to its Annual Report, Hillview should include an updated spread sheet showing the status of the repayment of the Supply and Storage Fee to fifteen customers.

Conclusions of Law

1. The uncontested Settlement is reasonable in consideration of the whole record, consistent with law, and in the public interest; it satisfies the requirements of Rule 51(e).

2. The Settlement should be adopted.

3. The revised rates, and tariff rule revisions set forth in Appendices B and C, based on the parties' Settlement, are justified.

4. The preliminary determinations should be changed to state that no hearings are necessary.

5. This decision should be made effective immediately to enable Hillview to implement the Settlement without delay.

ORDER

IT IS ORDERED that:

1. The Joint Motion for Adoption of Settlement Agreement, filed on May 23, 2005, is granted and the Settlement is approved. The ratemaking calculations and the tariff revisions, all in Appendices A through D, are approved.
2. In accordance with the Settlement, the following issues are deferred for resolution in Application (A.) 05-01-033:
 - (a) Whether \$69,445, the excess surcharge Hillview has collected to repay the obligation attributable to its Safe Drinking Water Bond Act loan, should be refunded to ratepayers or offset against existing debt.
 - (b) Whether \$292,666, the excess surcharge Hillview has collected to repay its outstanding loan from National Bank of Cooperatives (CoBank), should be refunded to ratepayers or offset against existing debt.
 - (c) Final reconciliation and appropriate disposition, following audit, of any outstanding loans with shareholders and other third-party lenders.
3. Hillview is authorized to file, in accordance with General Order 96-A or its successor, and to make effective, on not less than five days' notice, tariffs containing the test year 2005 increases consistent with the attachments to this decision. The revised rates shall apply to service rendered on and after the tariff's effective date.
4. As an addendum to its Annual Report, Hillview shall include an updated spread sheet showing the status of the repayment of the Supply and Storage Fee to fifteen customers.

5. The preliminary determinations are changed; no hearings are necessary.
6. A.04-07-042 is closed.

This order is effective today.

Dated July 21, 2005, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners

APPENDIX A

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Hillview Water Company
 Summary of Earnings
 Test Year 2005

	ADOPTED	
	Present Rates	At Authorized ROR/ROM
Metered water revenue	\$ 876,208	\$ 1,043,764
Private Fire	16,683	19,873
Total revenue	892,891	1,063,637
Operating Expense		
Purchased water	--	--
Power	161,063	161,063
Other volume related exp,	19,461	19,461
Employee labor	92,402	92,402
Materials	20,665	20,665
Contract work	34,893	34,893
Transportation expenses	22,907	22,907
Other plant maintenance	4,267	4,267
Office salaries	56,680	56,680
Management salaries	77,025	77,025
Employee pens. & benefits	31,648	31,648
Uncollectibles expense	894	1,063
Office Services & rentals	13,172	13,172
Office supplies and expenses	58,011	58,011
Professional services	22,886	22,886
Insurance	39,397	39,397
Regulatory comm.. expense	11,017	11,017
General expenses	5,165	5,165
Expenses Capitalized	(4,325)	(4,325)
Total operating expenses	667,228	667,397
Depreciation	64,278	64,278
Taxes Other Than Income	56,918	56,918
State Income Taxes	5,346	20,425
Federal Income Taxes	8,782	65,394
Total Deductions	802,552	874,412
Net revenue	\$ 90,339	\$ 189,225
Rate Base	\$ 1,017,210	\$ 1,017,225
Rate of Return	8.88%	18.60%
Rate of Margin	11.46%	24.00%

(END OF APPENDIX A)

APPENDIX B

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HILLVIEW WATER CO., INC.

Schedule No.1

METERED SERVICE

APPLICABILITY

Applicable to all metered services.

MORATORIUM

No service shall be provided to any premises not previously served within the Oakhurst- Sierra Lakes Service Area as defined on the Service Area Map filed as a part of these tariffs.

TERRITORY

Coarsegold Highlands, Raymond, and subdivisions in and near Oakhurst, Madera County.

RATES

Quantity Rate:

All water used per 100 cubic feet	\$2.13	(I)
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Service Charge:

Per Meter
Per Month

For ¾ inch meter	\$19.01	(R)
For 1 inch meter	31.68	(R)
For 1 ½ inch meter	63.35	(R)
For 2 inch meter	101.36	(R)
For 3 inch meter	190.05	(R)
For 4 inch meter	316.75	(R)
For 6 inch meter	633.50	(R)

The Service Charge is a readiness to serve charge, which is applicable to all metered service, and to which is added the charge for water used computed at the Quantity Rate.

(Continued)

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HILLVIEW WATER CO., INC.
Schedule No.1

METERED SERVICE
CO-BANK LOAN SURCHARGE 1/

RATES (continued)

	Oakhurst Royal Oaks Sunnydale	Goldside Hillview	Sierra Lakes	Raymond	Coarsegold Highlands
For ¾-inch meter	\$ 6.18	\$ 3.60	\$ 3.85	\$ 7.50	\$ 8.00
For 1-inch meter	10.32	6.00	6.55	12.50	13.35
For 1 ½-inch meter	20.60	12.00	12.65	25.00	26.75
For 2-inch meter	33.02	19.15	-	-	-
For 3-inch meter	61.85	-	-	-	-
For 4-inch meter	103.05	-	-	-	-
For 8-inch meter	206.05	-	-	-	-

SERVICE FEE FOR NEW SERVICE 2/

For ¾-inch meter	\$ 1,000.00 maximum
For 1-inch meter	2,500.00 maximum
For 1 ½-inch meter	5,000.00 maximum
For 2-inch meter	8,000.00 maximum
For 3-inch meter	15,000.00 maximum
For 4-inch meter	25,000.00 maximum
For 8-inch meter	50,000.00 maximum

SPECIAL CONDITIONS

- 1/ The surcharge is in addition to the regular monthly metered water bill. This monthly surcharge must be identified on each bill. The surcharge is specifically for the payment of a loan authorized by Resolution F-632, dated November 22, 1994, and to finance plant improvements authorized by Resolution F-644, dated March 13, 1996.
- 2/ The amount of the service fee shall be equal to the accumulated total of the monthly surcharge which would have been applicable to such service from the effective date of surcharge implementation until date of new service. The accumulated service fee shall not exceed the maximum charges listed in the table above. This fee was authorized by Resolution F-632, dated November 22, 1994.
- 3/ All bills are subject to the reimbursement fee set forth in Schedule No. UF.
- 4/ A surcharge is included on each bill to recover under-collected memorandum accounts of \$64,225. The surcharge is \$0.111 per CCF of water used. The surcharge will be collected over a 24-month period from the effective date of advice letter no. 72A.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water services furnished to privately owned fire protection systems.

TERRITORY

Oakhurst-Sierra Lakes, Goldside-Hillview Estates, Coarsegold Highlands, Raymond and vicinity, Madera County.

RATES

	<u>Rate Per Month</u>	<u>Surcharge Per Month</u>
For each inch of diameter of service connection	\$ 3.46 (I)	\$\$ 0.25

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost for the entire fire protection installation including the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The surcharge is specifically for the payment of the loan authorized by Resolution F-632, dated November 22, 1994, to finance plant improvements.
3. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter and backflow device) shall be paid for by the applicant.
4. All facilities from the riser for the backflow device on, including the backflow device shall be the sole property of the applicant. The utility and its duly authorized agent shall have the right of ingress to, and egress from, the premises for all purposes relating to said facilities.
5. The minimum diameter for fire protection service shall be four inches and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
6. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be required.
7. The fire hydrant shall be used for fire fighting purposes and fire drills only. Any unauthorized use will be charged for at the regular established rates for general metered service and may be grounds for the utility to discontinue the fire hydrant service without liability to the utility.
8. The utility will supply only such water at such pressures as may be available from time to time as the result of its normal operation of the system.
9. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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Schedule No. 4E

PRIVATE FIRE HYDRANT SERVICES ON PRIVATE PROPERTY

APPLICABILITY

Applicable to all fire hydrant services rendered from fire hydrants located on private property that are connected to company owned mains.

TERRITORY

Royal Oaks Estates, Sunnydale, Goldside Estates, Hillview Estates, Sierra Lakes Tracts and vicinity, Madera County.

RATES

	<u>Rate</u> <u>Per Month</u>	<u>Surcharge</u> <u>Per Month</u>
4" Riser type fire hydrant with single 2-1/2 outlet	\$ 6.04 (I)	\$ 0.50
6" Standard type fire hydrant	10.61 (I)	0.87

SPECIAL CONDITIONS

1. The fire hydrant will be installed by the utility or by a construction agency acceptable to it at the cost of the applicant. The cost will not be subject to refund.
2. The surcharge is specifically for the payment of the loan authorized by Resolution F-632, dated November 22, 1994, to finance plant improvements.
3. The relocation, replacement, or enlargement of any hydrant shall be at the expense of the party asking such request.
4. The cost of maintenance and repair of hydrants will be borne by the utility.
5. The utility or its authorized agents shall have at all reasonable times the right of ingress to and egress from the customer's premises for any purpose connected with private fire hydrant services.
6. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service hereunder.
7. The fire hydrant shall be used for fire fighting purposes and fire drills only. Any unauthorized use will be charged for at the regular established rates for general metered service and may be grounds for the utility to discontinue the fire hydrant service without liability to the utility.
8. The utility will supply only such water at such pressures as may be available from time to time as the result of its normal operation of the system.
9. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

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Hillview Water Company

Bill Comparison at Present and Proposed Rates

		<u>Proposed Rates</u>		
Monthly Usage (100 Cu Ft)	Present Rates (AL 73) Amount	Monthly Bill	Increase	% <u>Incr.</u>
<u>¾-inch meter</u>				
0	\$ 19.88	\$ 19.01	\$ (0.87)	(4.4)%
10	35.16	40.31	5.15	14.6%
15	42.80	50.96	8.16	19.1%
Average – 18	47.38	57.35	9.97	21.0%
50	96.28	125.51	29.23	30.4%
100	172.68	232.01	59.33	34.4%
<u>1-inch meter</u>				
10	48.41	52.98	4.57	9.4%
20	63.69	74.28	10.59	16.6%
50	109.53	138.18	28.65	26.2%
100	185.93	244.68	58.75	31.6%
200	338.73	457.68	118.95	35.1%
<u>2-inch meter</u>				
30	151.84	165.26	13.42	8.8%
50	182.40	207.86	25.46	14.0%
100	258.80	314.36	55.56	21.5%
200	411.60	527.36	115.76	28.1%
500	870.00	1,166.36	296.36	34.1%
750	1,252.00	1,698.86	446.86	35.7%
<u>4-inch meter</u>				
150	560.47	636.25	75.78	13.5%
250	713.27	849.25	135.98	19.1%
500	1,095.27	1,381.75	286.48	26.2%
1,500	2,623.27	3,511.75	888.48	33.9%
3,000	4,915.27	6,706.75	1,791.48	36.4%
5,000	7,971.27	10,966.75	2,995.48	37.6%

(END OF APPENDIX C)

APPENDIX D

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Hillview Water Company
Adopted Quantities and Calculations

Net-to-Gross Multiplier:	1.4535
Federal Income Tax Rate:	34.000%
State Income Tax Rate:	8.84%
Franchise Fee Rate:	0.0000%
Uncollectible Rate:	0.1000%

Number of Services & Supply:

<u>Size</u>	No. of Services <u>2005</u>	CCF/ <u>Customer</u>	Usage – CCF <u>2005</u>
¾"	1,267		
1"	59		
1-1/2"	33		
2"	35		
3"	4		
4"	0		
6"	<u>0</u>		
Subtotal	1,398	220.12	307,723
Private Fire Service	<u>126</u>		
	1,524		
Total			
Water loss @ 5.83%			19,039
Total water supply, CCF			326,762
Total water supply, AF			750

APPENDIX D

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Hillview Water Company

Adopted Quantities and Calculations

Purchased Power Costs

Test Year 2005

Estimated kWh per CCF pumped	2.94
Estimated water to be pumped (in CCF's)	326,762
Estimated kWh to be purchased	960,680
Estimated cost per kWh	\$0.1677
Estimated cost of purchased power	\$161,063

Payroll

Employee labor	\$92,402
Office salaries	\$56,680
Management salaries	\$77,025
Payroll taxes	\$17,928

APPENDIX D

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Hillview Water Company

Adopted Quantities and Calculations

Number of Services by Meter Size

<u>Residential</u>	<u>Test Year</u>
	<u>2005</u>
3/4"	1,267
1"	59
1-1/2"	33
2"	35
3"	<u>4</u>
Subtotal:	1,398
<u>Private Fire Service</u>	126
Total Services	1,524

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Hillview Water Company

Adopted Quantities and Calculations
Income Tax Calculation

	Test Year 2005	
	At Present Rates	At Authorized ROR/ROM
Operating revenue	\$ 892,891	\$ 1,063,637
Operating expenses (excluding income taxes)	788,424	788,593
Interest	<u>43,992</u>	<u>43,992</u>
Total deductions	832,416	832,585
 Taxable income	 60,475	 231,052
State corp. franch. Tax @ 8.84%	5,346	20,425
 Taxable income before deductions	 60,475	 231,052
State franchise tax	<u>(5,346)</u>	<u>(20,425)</u>
Federal taxable income	55,129	210,627
First \$50,000 @ 15%	7,500	7,500
Next \$25,000 @ 25%	1,282	6,250
Next \$25,000 @ 34%	-	8,500
Over \$100,000 @ 39%	<u>-</u>	<u>43,144</u>
	\$ 8,782	\$ 65,394

(END OF APPENDIX D)